

Discussion Paper
KEY ISSUES AND POLICY OPTIONS

**CANNABIS CULTIVATION AND SUPPORT USES
IN INDUSTRIAL ZONES**

BACKGROUND

Industrial zoning districts include the Industrial Park District (MP), Limited Urban Industrial District (M1), Heavy Industrial District (M2), and Limited Rural Industrial District (M3), and are described briefly below.

MP Industrial Park District- Provides areas for compatible industrial research, light manufacturing, assembly and office uses including wineries, food and beverage, assembly manufacturing, machine shops, research and development, and business offices. The MP zone includes the Airport Area and the Carneros Business Park.

M1 Limited Urban Industrial District- Provides areas for land extensive industrial development or industries that are limited in scale due to environmental or compatibility concerns including: heavy commercial uses, industrial condominiums, agricultural processing, auto repair, retail uses such as hotel, restaurants, and financial institutions.

M2 Heavy Industrial District – Provides areas with urban services for a wide range of industrial uses including: heavy industrial uses, auto repair, asphalt manufacturing, wrecking yards, truck terminals, wholesale distribution, and contractor storage.

M3 Limited Rural Industrial District – Provides areas for land extensive industrial development or industries outside of urban service areas which are limited in scale by lack of services, incompatible adjacent land use or environmental factors including: storage of heavy merchandise, auto, truck, trailer and farm equipment sales and repair, agricultural processing, contractor storage and other heavy commercial uses.

Industrially zoned properties are primarily located in three areas: the Santa Rosa Airport Industrial Area, 8th Street East located near Sonoma, and the southern portion of Santa Rosa Ave. The MP, M1 and M2 zones generally have good road access and urban services.

Of the three types of cultivation, indoor cultivation operations are the most compatible with industrial zones. Indoor cannabis cultivation occurs completely indoors within permanent non-residential structures, and typically with no outside indication of cannabis cultivation. Indoor cultivation allows for greater control of the growing cycle by using artificial light to simulate sunlight. Indoor cultivation structures require air filtration systems and increased energy use compared to outdoor cultivation and may use water filtration systems. Indoor cultivation can produce an average of four harvests per year within a single cultivation area. They typically contain cannabis in different growing stages, which makes indoor cultivation more labor and resource intensive.

The industrial areas are also the most suitable for cannabis support uses such as distribution, transportation facilities, laboratories, manufacturing, and in some cases indoor nurseries. Staff analyzed similar types of non-cannabis uses allowed within industrial zoning districts to determine appropriate zones for each type of cannabis uses.

KEY ISSUES

Energy Use

Indoor cultivation includes the use of energy-intensive lighting and ventilation systems which could operate for 24 hours per day. The major impact of this type of cultivation is the amount of energy required to run such an operation. The proposed Ordinance includes a standard that requires 100% renewable energy either through the energy service provider or onsite sources such as solar.

Industrial Land Capacity

There is currently a very low vacancy rate for industrial lands within Sonoma County. According to the Keegan & Coppin Company, Inc. there is currently 24.4 million square feet of industrial space, of which 22.9 million square feet are occupied in Sonoma County, including the cities. This equates to approximately 1.5 million square feet of available space with a current vacancy rate of approximately 5% countywide. The vacancy rate for northern Sonoma County, including the airport area, Windsor, and Healdsburg is only 1.9%. Much of this may already be due to cannabis uses.

Staff analyzed the amount of vacant or underutilized industrial lands and estimated potential for approximately 4.5 to 5 million square feet of additional industrial space at full build-out in the unincorporated area. A review of permit data shows approximately 800,000 square feet of industrial structures have been permitted but not yet built based on permits in "issued" status.

The California Department of Food and Agriculture (CDFA) is the responsible state agency for licensing of cannabis cultivation permits beginning in 2018. In August 2016, the CDFA released a statewide survey of potential commercial cannabis license applicants. The survey indicated the number of applicants for each category of cannabis license types by county. Based on this survey data and the maximum size of allowable canopy for each license type, staff estimates a potential current demand for 1,475,000 square feet of indoor cultivation space within Sonoma County. Additional industrial space is also required for transportation, distribution, manufacturing and testing laboratories, which could double the projected demand.

Rents in Santa Rosa have reportedly increased for cannabis uses specifically. The higher value for industrial space could impact other local businesses, particularly those that have lower income ratios such as food and beverage manufacturing, warehousing, and heavy industrial uses.

Security

All three types of cannabis cultivation carries security and safety concerns. Indoor cultivation often occurs without any neighboring properties aware of what is occurring. Outdoor and mixed light operations are more difficult to secure. Industrial zones are generally unoccupied at night and on weekends and have few 24-hour uses, which can increase security concerns. This obscurity can cause a false sense of security for some growers. For these reasons all cannabis uses will be required to prepare a Site Security and Fire Prevention Plan.

ANALYSIS AND OPTIONS

The key policy questions for the Commission are where commercial cannabis and related support businesses should be permitted, and at what scale and intensity.

CANNABIS CULTIVATION

1. Cultivation Limits within Industrial Zones

The following range of policy options are related to the type and size of cultivation allowed on industrial lands.

- A. **Allow indoor cultivation in all industrial zones, prohibit outdoor and mixed light.** This option would allow indoor cultivation of all sizes in industrial zones, and would prohibit outdoor and mixed light. Refer to Attachment 1 for permit thresholds and zones.
- B. **Allow some mixed light cultivation in industrial zones.** This option would allow some amount of mixed light cultivation and would allow greenhouses to be developed on industrial lands with other support structures.
- C. **Limit Cultivation to only some industrial zones.** This option would allow cultivation in only some of the four industrial zones and preserve some zones for other non-cannabis uses. This could be done by comparison of compatibility concerns, by available services, or by land intensive versus land extensive uses, which have lower income ratios. This option would eliminate competition for industrial space in the zones where cannabis uses are not allowed.
- D. **Prohibit all cultivation within industrial zones (due to inventory capacity issues).** This option would prohibit all cultivation within industrial zones which would create more pressure on agricultural and resource lands for cultivation. This option would reduce the demand for industrial properties.
- E. **Cap the number of cultivation permits allowed within industrial zones.** This option would allow the Commission to express a cap, or limit. This could be done by establishing a maximum cumulative size of cultivation allowed within each zone or area, or by capping the number of permits for each size threshold.

Analysis

Options A provides more opportunity for indoor cultivation while Option B would further expand this to include mixed light/greenhouses. Greenhouses may not be appropriate for industrial properties as they are not adaptable to other types of industrial uses traditionally allowed and more difficult to secure. Options C and D recognize the existing constraints on the real estate market due to demand of industrial land and would reduce pressure in some areas and preserve land for other uses. Option E would provide some limit to cultivation on industrial land, but may lock out new business opportunities once the cap is reached.

Staff Recommendation: Option A. The staff recommendation includes the allowance of indoor cultivation only. The type of structures associated with indoor cultivation are similar and adaptable to other types of industrial uses, whereas greenhouses are not. Indoor cultivation can be more easily secured in a zone with limited 24 hour activity.

2. Permit Requirements for Cultivation within Industrial Zones

The main policy question to consider in determining appropriate permit thresholds for ministerial zoning permits is what scale of use would be consistent with the General Plan, compatible with surrounding industrial uses, and reduce impacts in all circumstances where the use is allowed by right? Special consideration should be given to cumulative impacts of ministerial land uses in determining the appropriate permit thresholds. Use permits afford an opportunity to review for site specific impacts and compatibility and attach additional mitigation measures or conditions. The following options are presented for each type of cultivation by size. Refer to the table: *Summary of Allowed Land Uses and Permit Requirements for Cannabis Uses.*

- A. **Allow cottage with a Zoning Permit, Specialty with a Minor Use Permit, and all others with a Use Permit.** This option would allow smaller cottage sized grows up to 500 square feet with a ministerial zoning permit, Specialty up to 5,000 square feet with a minor use permit, and all other sizes up to the maximum license type of 22,000 square feet with a conditional use permit.
- B. **Allow more sizes or types with a Zoning Permit.** This option would allow a ministerial zoning permit for larger cultivation sizes or types subject only to the standards. No notification or public hearing is required and no additional conditions to address site specific concerns can be added.
- C. **Allow more sizes or types with a Conditional Use Permit.** This option would permit some types and sizes of cultivation with a conditional use permit which would require a public hearing for all cannabis uses and no ministerial permitting.

Analysis

Industrial areas may have fewer impacts than other zoning districts, especially if indoor cultivation is the only type of cultivation allowed. In order to allow larger sizes or more types with a ministerial zoning permit the Commission would need to find that the ordinance or additional standards provide equivalent mitigation. The cultivation operation would be completely contained within the structure, which reduces the visibility and potential security concerns. There are generally fewer neighboring residential uses. Other concerns that need to be considered on a case by case basis include energy use, traffic, water use, and wastewater. Not all industrial properties have access to municipal water sources or sewer systems. In order to reduce environmental impacts closer review is required for individual operations, as their water use and wastewater practices vary.

Staff Recommendation: Option A. Staff recommends a zoning permit for cottage size cultivation, minor use permit for “specialty” sizes, and a conditional use permit for larger operations. This would allow more review for larger operations related to the potential environmental impacts. It also may encourage existing cultivators to relocate from residential to industrial zones.

3. Cultivation Standards

The proposed Ordinance includes specific cultivation standards to minimize impacts. Policy options related to cultivation in industrial areas are provided below.

- A. **Renewable Emergency Standard.** The proposed Ordinance includes a standard requiring cultivation be powered with a 100% renewable source through onsite sources, purchase of carbon offsets, or on grid renewable options.
- B. **Maximum Canopy for Single Entities.** Under the proposed Ordinance the maximum amount of total canopy for a single entity cannot exceed one acre in Sonoma County. A single entity could own several sites, but the cumulative total canopy area could not exceed one acre. The state law includes a four acre maximum for a single entity statewide. Refer to the Summary Table for the maximum canopy sizes for each type and zone.
- C. **Multiple Permits on a Single Parcel.** The proposed Ordinance would also allow a single property owner to lease to multiple small-scale operators with ministerial zoning permits in industrial and agricultural zones, provided that the total canopy area does not exceed the maximum. Refer to the Summary Table for the permit thresholds.

Analysis

Indoor cultivation has potential to reduce impacts related to neighborhood compatibility and does not require the same minimum parcel sizes, setbacks, and separation criteria as other zones. The proposed Ordinance would require indoor cultivation to adhere to the standard building setbacks. There is no minimum lot size proposed for indoor cultivation in any of the zoning districts. The primary area of concern for indoor cultivation is the required energy use and associated greenhouse gas emissions. Option A would require all operations to be 100% renewable. The construction of renewable energy would cause an initial increased expense to operators, but would reduce the annual operating costs. This required standard would alleviate the air quality and greenhouse gas emissions impacts associated with increased energy use.

The staff recommendation includes the ability to issue multiple zoning permits on one parcel up to the maximum allowable canopy area. This allows for smaller growers to become established with a ministerial zoning permit, while larger operations would require conditional use permits. Under the proposed Ordinance, cannabis permits would run with the operator and require annual renewal.

Staff Recommendation: Options A-C. The proposed Ordinance includes the implementation of a renewable energy requirement in order to reduce environmental impacts associated with high energy use. Allowing permit grouping would allow more growers to relocate into more appropriate areas with a ministerial zoning permit.

CANNABIS SUPPORT USES

The proposed Ordinance allows a variety of cannabis support uses consistent with state law including laboratories, manufacturing, distribution, and transportation facilities. These uses are predominantly proposed to be located within industrial areas. The following policy options relate to which business should be permitted, in which zoning districts, and with what type of permit.

7. Testing/Laboratories Limits

Cannabis laboratories would be defined as “*a facility for testing, analysis, and/or research.*” Similar types of lab uses include medical labs, soils, materials testing labs, and forensic labs. Laboratories are a necessary component of the cannabis licensing scheme because testing is required for each cannabis lot to determine cannabinoids (i.e. CBD’s), tetrahydrocannabinol (THC), pesticide residuals, mold, fungus, and other constituents. Policy options include:

- A. **Allow in Industrial and Commercial (LC and C3) Zones.** This option would allow cannabis laboratories within all the industrial zones and two commercial districts.
- B. **Prohibit in All Zones other than Industrial.** This option would restrict laboratory uses to only be located within industrial zones.
- C. **Cap the Number of Permits Allowed.** This option would allow the Commission to express a cap, or limit. This could be done by maximum number of laboratories allowed within each zone or area, or by capping the number of permits.

Analysis

Although it is not known how many cannabis laboratories are needed to support the amount of cultivation that may be permitted under the proposed Ordinance, the CDFA survey indicated 11 survey respondents are interested in testing licenses in Sonoma County. There are currently only a few laboratories in the region that conduct testing of cannabis and the new regulatory requirements will create a demand for increased laboratory space to support the existing and growing industry. Sonoma County is situated to become a distribution center for a variety of cannabis products from the entire North Coast region. Since the testing requirements are tied to

distributors, an increased demand for laboratory space can be anticipated. Cannabis laboratories are expected to operate in a similar way to other more traditional types of laboratories. Option A would allow this use within two different zones, whereas Option B would limit laboratories to only industrial areas. Option C would allow the Commission to cap the number of permits allowed for this particular use. The limit could be expressed for all of the unincorporated area, or particular areas.

Staff Recommendation: Option A. The proposed Ordinance includes the allowance of cannabis laboratories within industrially zoned land and two commercial zones, the Limited Commercial District and the General Commercial District. This provides greater opportunity for siting of new laboratories and would allow existing laboratories to introduce cannabis into their normal functions.

8. Distribution Operations

Distribution facilities are responsible for receiving cannabis from cultivators, sending cannabis to laboratories for quality assurance and batch testing, and distributing from cultivation and manufacturing operations to licensed dispensaries. No retail sales can take place from a distribution facility. Policy options include:

- A. **Allow in Urban Industrial Zones.** This option would allow distribution operations within all the industrial zones except for the M3 “Limited Rural Industrial.”
- B. **Allow in All Industrial Zones.** This option would allow distribution facilities in all industrial zones.
- C. **Cap the Number of permits allowed.** This option would allow the Commission to express a cap, or limit. This could be done by maximum number of facilities allowed within each zone or area, or by capping the number of permits.

Analysis

Cannabis distribution facilities are similar to other types of distribution facilities that cater towards alcohol, recycling, or other products. The demand for distribution centers in Sonoma County is expected to be high as we are situated between the growing regions along the North Coast and the urbanized Bay Area and beyond. The CDFA Survey indicated 65 survey respondents are interested in establishing distribution facilities in Sonoma County. Option A would limit this use to the urban industrial zones that are located closer to urbanized areas and have access to municipal water and sewer services. Option B would allow this use in all industrial zones. This may not be appropriate as there are very few distribution type uses allowed within the M3 district and this district is mostly reserved to uses that are more limited in scale. Option C would allow the Commission to cap the number of permits allowed for this particular use. The limit could be expressed for all of the unincorporated area, or particular areas.

Staff Recommendation: Option A. The proposed Ordinance would allow cannabis distribution facilities within all the industrial zones except for the M3 “Limited Rural Industrial.” This is consistent with other uses allowed in the zones and would provide a sufficient amount of opportunity for the siting of new distribution facilities. (There is a correction needed to the Summary Table to allow distribution in the MP zone.)

9. Transportation Operations Limits

Cannabis transportation facilities transport cannabis crops from the cultivation site to a distribution location, then again to manufacturing, and finally to dispensaries. No retail sales of cannabis can take place from a transportation facility.

- A. **Allow in Urban Industrial Zones.** This option would allow cannabis transportation operations within all the industrial zones except for the M3 “Limited Rural Industrial.”
- B. **Allow in All Industrial Zones.** This option would allow transportation facilities in all industrial zones.
- C. **Cap the Number of permits allowed.** This option would allow the Commission to express a cap, or limit. This could be done by maximum number of facilities allowed within each zone or area, or by capping the number of permits.

Analysis

It is anticipated that the transportation operations will be working closely with the distribution operations and would benefit from being allowed within the same general areas. The CDFA Survey indicated 86 respondents are interested in establishing transportation licenses within Sonoma County. The proposed Ordinance would allow cannabis transportation facilities within all the industrial zones except for the M3 “Limited Rural Industrial.” This is consistent with other uses allowed in the zones and would provide opportunities for the siting of new transportation facilities in conjunction with distribution facilities. Option C would allow the Commission to cap the number of permits allowed for this particular use. The limit could be expressed for all of the unincorporated area, or particular areas.

Staff Recommendation Option A: The proposed Ordinance would allow cannabis transportation operations within all the industrial zones except for the M3 “Limited Rural Industrial.” This is consistent with other allowed uses and would provide a sufficient amount of opportunity for the siting of new transportation operations.

10. Manufacturing Limits

The proposed Ordinance would allow manufacturing of cannabis products, including oils, tinctures and edibles using nonvolatile solvents (MCRSA License Type 6). Manufacturing using volatile substances would be considered in Phase II.

The proposed Ordinance includes the following definitions:

*“**Cannabis Manufacturer** means a person that conducts the production, preparation, propagation, or compounding of manufactured medical cannabis, or medical cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis or by a combination of extraction and chemical synthesis at a fixed location that packages or repackages medical cannabis or medical cannabis products or labels or relabels its container, that holds a valid state license and that holds a valid local license or permit.*

***Manufactured cannabis** means raw cannabis that has undergone a process whereby the raw agricultural product has been transformed into a concentrate, an edible product, or a topical product.”*

***Cannabis Manufacturing** means a location that produces, prepares, propagates, or compounds manufactured medical cannabis or medical cannabis products, directly or indirectly, by extraction methods, independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis, and is owned and operated by a licensee for these activities.*

***Volatile solvent** means volatile organic compounds, including: (1) explosive gases, such as Butane, Propane, Xylene, Styrene, Gasoline, Kerosene, O₂ or H₂; and (2) dangerous*

poisons, toxins, or carcinogens, such as Methanol, Iso-propyl Alcohol, Methylene Chloride, Acetone, Benzene, Toluene, and Tri-chloro-ethylene.”

The proposed Ordinance includes a list of required standards to minimize impacts. Additional policy options related to manufacturing are provided below.

- A. **Allow Nonvolatile Manufacturing Only.** This option would allow nonvolatile manufacturing only in the industrial zones. Manufacturing with volatile substances would not be allowed at this time, similar to the approach taken in the City of Santa Rosa.
- B. **Allow Volatile and Nonvolatile Manufacturing.** This option would allow all types of cannabis manufacturing.
- C. **Cap The Number of Permits Allowed.** This option would allow the Commission to express a cap, or limit. This could be done by maximum number of facilities allowed within each zone or area, or by capping the number of permits.

Analysis

The state licensing scheme under MCRSA allows for two types of cannabis manufacturing, nonvolatile and volatile. The California Department of Public Health is developing guidelines for the permitting of cannabis manufacturing but is on a later timeline relative to our locally proposed Ordinance. The Sonoma County Department of Health Services is developing local regulations for cannabis manufacturing and a companion Ordinance will be introduced to the Board of Supervisors later this fall. There is broad interest in manufacturing in Sonoma County, with 93 respondents to the CDFA survey indicating an interest in establishing manufacturing operations.

Option A would allow nonvolatile manufacturing operations only at this time. Option B would allow volatile manufacturing in advance of the state preparing their regulations. Option C would allow the Commission to cap the number of permits allowed for this particular use. The limit could be expressed for all of the unincorporated area, or particular areas.

Staff Recommendation: Option A. The proposed Ordinance would allow cannabis manufacturing using nonvolatile solvents only. This approach is recommended by the Department of Health Services and the County Fire and Emergency Services Department. Volatile manufacturing may be considered after the state has released their regulatory guidelines during Phase II, as well as information on the number of licenses that will be issued statewide for volatile manufacturing, a permit type the state will limit.

11. Permit Requirements- Support Uses

The following range of policy options are related to the level of permit required to allow cannabis support uses. The following permit thresholds are used as policy options:

- Zoning Permit – a ministerial, subject to standards, no conditioning authority
 - Minor Use Permit – discretionary, can add conditions, hearing waiver if no protest
 - Conditional Use Permit – discretionary, can add condition, noticed hearing
- A. **Conditional Use Permit for All Cannabis Support Uses.** This option would require a conditional use permit, which would require a public hearing for all cannabis support uses and no ministerial permitting.
 - B. **Minor Use Permit for Some Cannabis Support Uses.** This option would allow a minor use permit instead of a conditional use permit for some types of support uses. This

provides for public notification, possible hearing waiver and usually exempt from environmental review or has no significant impacts. Minor use permits are often used for minor expansion of existing uses and are generally approved administratively by staff.

- C. **Zoning Permit for Some Cannabis Support Uses.** This option would allow a ministerial zoning permit (by right) for some types of support uses subject only to standards. No notification or public hearing is required and no additional conditions to address site specific concerns can be added.

Analysis

Cannabis support uses are considered new land uses with little information on the operational procedures needed to carry out the new state licensing requirements. It is anticipated that in many respects these uses will be similar to other uses already allowed in the industrial zones. Option A would require a conditional use permit for all support uses, which would allow review of more detailed plans for these uses on a case by case basis and opportunities for comment by neighboring property owners and the ability to add conditions to address any concerns. Option B with a Minor Use Permit would still provide notice and opportunity for comment, but could also be issued administratively by staff with a hearing waiver. Option C provides a more permissive approach with ministerial zoning permits, but may not be appropriate without additional data and studies to ensure there would be no environmental or compatibility issues.

Staff Recommendation: Option A. Staff recommends a conditional use permit for all types of cannabis support uses. Due to the lack of data and knowledge of these uses, staff does not recommend the minor use permit process and instead prefers to provide the opportunity for a public hearing before the Board of Zoning Adjustments to review operations on a case by case basis. Staff recommends reviewing the permit thresholds in Phase II for these uses, once the state regulations are revealed.